
IOWA UTILITIES BOARD

Energy Section

Docket No.: SPU-2015-0039/TF-2015-0352

Utility: Black Hills/ Iowa Gas Utility
Company, LLC d/b/a Black Hills
Energy

File Date / Due Date: November 24, 2015 / n/a

Memo Date: June 15, 2016

TO: The Board

FROM: Brooke Bassell-Herman (Team Lead), Ben Flickinger, Bob
LaRocca, Don Stursma, Jane Whetstone

SUBJECT: BHE's Customer Notice on Farm Tap Replacement Program

I. Background

On November 24, 2015, Black Hills/Iowa Gas Utility Company, LLC d/b/a Black Hills Energy (BHE), filed a request for approval of a proposed tariff revision and other relief with the Iowa Utilities Board (Board). BHE describes its application as a:

...request for approval of tariffs that establish minimum safety standards for farm taps as a condition of service and creation of a mandatory testing program; utility replacement and ownership of customer-owned natural gas service lines; authorization for recovery of replacement capital costs; and request for an accounting order to defer testing costs until the company's next general rate case.

On December 10, 2015, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed an objection and requested that the Board docket BHE's application for further investigation. The Board docketed BHE's application as Docket No. SPU-2015-0039 on December 23, 2015, and required interventions to be made on or before January 11, 2016. On January 11, 2016, Northern Natural Gas Company (NNG) filed a Petition to Intervene in Support and Comments pursuant to 199 IAC 7.13. The Board granted NNG's intervention on February 10, 2016.

On January 22, 2016, BHE filed a response to the Board's December 23, 2015, order. The response included a proposed customer notice to be sent to all affected farm tap customers. On February 4, 2016, OCA filed a response objecting to the proposed notice and requesting the notice be rejected by the Board.

BHE held customer focus groups in Webster City on February 11, 2016, Waukee on March 1, 2016, and Dike on March 3, 2016, to discuss the proposed plan. An informal workshop also took place on March 11, 2016, at the Board's offices in Des Moines.

On April 25, 2016, BHE filed a Motion for Leave to Amend Application. BHE filed a revised amended application on April 27, 2016, addressing some errors in the previous filing. On May 3, 2016, OCA filed a response to BHE's proposed amendment to its application. The Board issued its Order Granting Motion for Leave to Amend Application and Requiring Filing of New Customer Notice on May 17, 2016.

The Board's May 17, 2016, order directed BHE to file a revised customer notice by May 27, 2016. On June 1, 2016, BHE filed its revised customer notice.

On June 2, 2016, OCA filed an additional response recommending changes to the language of the customer notice highlighting that BHE proposes to recover the proposed costs as an additional monthly surcharge over a three-year period and that the additional surcharge would be paid by all customers, not just farm tap customers. OCA notes that the customer notice is insufficient and does not notify all customers of the future potential increase in costs.

On June 15, 2016, BHE filed a cover letter and brochure which states that BHE sent notice out to all farm tap customers on May 15, 2016.

II. Legal Standards

Iowa Code § 476.1 provides the Board the power to "regulate the rates and services of public utilities."

Pursuant to Iowa Code § 476.8 utilities are required to furnish "reasonably adequate service and facilities."

The Board's rules at 199 IAC 19.3(1) through (11) likewise prescribe the general service requirements for utilities providing natural gas service. Specifically, 19.3(10) sets forth the requirements and procedures for installing new distribution mains and service lines.

Board rule 19.4(1)(c) requires utilities to notify customers affected by a change in rates or schedule classification.

Board rule 19.4(18) provides that utilities may only make a material change in the character of gas service with the Board's approval and only after providing adequate notice to its customers.

III. Analysis

The Board's May 17, 2016, order directed BHE to file a revised customer notice by May 27, 2016. On June 1, 2016, BHE filed its revised customer notice. Board staff agrees with the OCA that the notice filed by BHE is insufficient. The notice should include a brief description of the plan and explain that customer rates could be impacted as a result of the plan. The notice should also provide an estimate of the potential rate impact on BHE's customers. Lastly, the notice should also include information about the customer comment meetings as discussed by the Board in its May 17, 2016, order. The Board has scheduled the following customer comment meetings:

- August 9, 2016 Manchester, Iowa 6:00 – 8:00 p.m.
- August 10, 2016 Newton, Iowa 6:00 – 8:00 p.m.
- August 22, 2016 Webster City, Iowa 6:00 – 8:00 p.m.
- August 23, 2016 Spencer, Iowa 6:00 – 8:00 p.m.
- August 24, 2016 Denison, Iowa 6:00 – 8:00 p.m.

The attachment to this memo contains the notice provided by BHE along with staff's recommended edits. Staff believes that all of BHE's customers should receive the notice because all customers may eventually be impacted depending on the Board's final decision in this docket.

Staff believes it is important that customers receive their notices in sufficient time prior to the meeting in the customer's location to plan to attend, if interested. BHE proposes to include these notices in all customers' monthly bills in order to keep costs down. BHE has provided specific notice to farm tap customers with the brochure that is attached to this memo. It is staff's understanding that BHE has already received comments from some farm tap customers. Staff believes all customer comments received by BHE should be filed in the docket as part of a procedural schedule.

Staff further recommends that the Board establish a new intervention date that falls after the customer comment meetings in this docket. This will allow affected customers an opportunity to determine whether they wish to intervene after they have had the opportunity to participate in the customer comment meetings. Staff recommends an intervention date of September 1, 2016. Following the intervention date and depending on the number of intervenors, staff will prepare a recommendation for a procedural schedule, including a prehearing conference. The procedural schedule may include a hearing or may provide for presentation of each parties position on paper.

IV. Recommendation

Staff recommends that the Board review and issue the attached order directing BHE to send the attached customer notice to all Iowa customers which includes the dates, time and location of the five customer comment meetings. The order will also schedule an intervention date of September 1, 2016.

/bbh

Attachments

Date

Dear Customer:

Black Hills Energy filed a proposal with the Iowa Utilities Board (Board) on November 25, 2015, to make changes to services provided to farm tap customers by Black Hills Energy. "Farm tap" customers are those whose fuel line connects directly to the interstate natural gas pipeline owned by Northern Natural Gas Company (NNG). Black Hills Energy provides natural gas distribution service to farm tap customers on behalf of NNG. This service includes billing, customer service, responses to gas leaks, maintenance of odorizers, delivery pressure tests, and consultation on the installation and repair of customer owned facilities. Most of the customer-owned fuel lines were installed many years ago, and the condition of these fuel lines is unknown, since no maintenance records exist. There is also no way to identify the location of many of the lines.

To assure safe delivery of natural gas, Black Hills Energy has proposed a plan that will require farm tap fuel lines to have safety tests to comply with current safety standards, adopt access requirements, establish a line replacement program, and clarify the liability of Black Hills Energy and the farm tap customer for the fuel lines. This plan will provide farm tap customers the ability to receive safe and reliable service through facilities that are in compliance with safety regulations.

Black Hills Energy proposes to replace substandard customer-owned fuel lines with new lines that the company would own, operate and maintain. The cost of testing and replacing these lines, would be held by the company until its next rate review. After the conclusion of that review, Black Hills Energy proposes to recover those costs as an additional monthly surcharge over a three year period. The additional surcharge will be paid by all customers not just farm tap customers. This increase is related to Black Hills Energy's cost to replace the fuel lines and does not include the cost of natural gas supplies. Some farm tap customers may also be required to pay an additional fee to accommodate the replacement of exceedingly lengthy lines.

Since it is impossible to determine which of these lines will need to be replaced until after the testing process is completed, the cost of the proposal can only be estimated. Black Hills Energy estimates the maximum customer impact would be less than one dollar per customer per month, on average, for the three year recovery period, except for those farm tap customers who may be required to pay for replacement of part of their fuel line.

Black Hills Energy is providing you this information so that you are aware of the proposal and have an opportunity to provide input. You have the right to submit comments to the Iowa Utilities Board and to participate in public comment meetings. The Board should be provided with any facts that would assist with determining whether the requested increase should be approved by the Board. This information will be made available to the Consumer Advocate, who represents the public interest in rate cases before the Board.

Customer comments should be filed using one of the following options:

- Through the Board's electronic filing system at: <https://efs.iowa.gov/efs/underDocketNo.SPU-2015-0039>,
- By email to: customer@iub.iowa.gov,
- By using the comment form on the IUB's Web site, <https://iub.iowa.gov>,

- By postal mail to the Iowa Utilities Board at 1375 E. Court Avenue, Room. 69, Des Moines, Iowa 50319-0069

Five public customer informational meetings are currently scheduled:

- Manchester – Tuesday, August 9, 2016, 6:00 p.m., Manchester Fire Department, 400 E. Main, Manchester, Iowa.
- Newton – Wednesday, August 10, 2016, 6:00 p.m., DMACC Newton Campus, 600 N. 2nd Avenue West, Auditorium, Newton, Iowa
- Webster City - Monday, August 22, 2016, 6:00 p.m., Webster City Community Theater, 1001 Willson Avenue, Auditorium, Webster City, Iowa.
- Spencer – Tuesday, August 23, 2016, 6:00 p.m., Spencer Area Activity Center, 104 E. 4th Street, Dining Room, Spencer, Iowa
- Denison – Wednesday, August 24, 2016, 6:00 p.m., Boulder Conference Center, 2507 Boulders Drive, Wally Lauridsen Room, Denison, Iowa.

If you have any questions about this docket you may contact Black Hills Energy at 1-800-519-3570, BHEFarmTapComments@blackhillsenergy.com, or the Board's Customer Service section at 1-877-565-4450.